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GRADE 12

TERM THREE: 2024 REVISED NOTES

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BUSINESS ROLES**PAPER 2****CHAPTER 12: HUMAN RIGHTS, INCLUSIVITY AND ENVIRONMENTAL ISSUES****EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES****HUMAN, ECONOMIC, SOCIAL AND CULTURAL RIGHTS**

- Outline/Name the following human rights in the workplace:
 - Privacy
 - Dignity
 - Equity
 - Freedom of speech and expression
 - Information
 - Safety, security and protection of life
- Identify the above-stated human rights from given scenarios /statements.
- Recommend ways in which businesses could deal with the above-stated human rights in the workplace.
- Outline/State the economic rights of employees in the workplace.
- Outline/State the social rights of employees in the workplace.
- Recommend ways in which businesses could promote social rights and cultural rights in the workplace.
- Explain the implication of equality, respect and dignity on businesses.

DIVERSITY

- Define/Elaborate on the meaning of diversity in the workplace
- Identify/Name the following diversity issues from given scenarios/statements:
 - Poverty, race
 - Gender, language, age,
 - Culture/religion and
 - Disability
- Recommend/Suggest ways in which businesses could deal with the above-stated diversity issues in the workplace.
- Discuss the benefits of diversity in the workplace

ENVIRONMENTAL FACTORS

- Explain the responsibilities of employers in promoting human health and safety in the workplace. Outline/Explain/Discuss the roles of the health and safety representatives in protecting the workplace environment, e.g. checking on the effectiveness of health and safety measures/identifying potential dangers in the work environment/ investigating workers' complaints, etc.
- Identify the roles of health and safety representatives from given scenarios.
- Explain the responsibilities of workers/employees in promoting human health and safety in the workplace.
- Identify the responsibilities of employers and employees/workers in promoting human health and safety in the workplace from given scenarios.
- Recommend/Suggest strategies businesses may use to protect the environment and human health.

- Assess a business venture on human rights, inclusivity, and environmental issues, using informal surveys, interviews, etc.

TERMS AND DEFINITIONS

TERM	DEFINITION
Human rights	The rights of all human beings irrespective of their gender/race/nationality or any other status.
Inclusivity	Means that no one should be excluded because of their gender/age/race/language/disability.
Environmental issues	Relate to preserving a clean/safe/sustainable environment.
Diversity	It means the workforce must include groups of a variety of people who are different in race/gender, class etc.
Poverty	Being unable to satisfy basic needs due to lack of income to buy goods/service
Inequality	Unfair differences between groups of people in society/When some have access to more wealth/status/opportunities than others.
Race	Classification of people according to their physical differences e.g. colour of their skin.
Gender	Refers to being male or female.
Disability	A physical or mental condition that limits a person's movements, senses, or activities.
Religion	A belief in and worship of a superhuman controlling power, especially a personal God.
Age	The length of time that a person has lived or a thing has existed.
Culture	The ideas, customs, and social behaviour of a particular people or society.
Equality	The fact of being equal in rights, status, advantages etc.
Respect	A polite behaviour towards or care for somebody/something that you think is important.
Dignity	A calm and serious manner that deserves respect.
Economic rights	The rights each person has to be economically active.
Social rights	Right to welfare benefits.
Cultural rights	A right to participate in cultural activities and events of your choice.

HUMAN, ECONOMIC, SOCIAL AND CULTURAL RIGHTS

INTRODUCTION

Human rights are basic rights that are enshrined in the South African constitution. They are the fundamental rights and standards of treatment that are internationally recognised as belongings to all human beings by virtue of being human. Respect for human rights and the establishment of fair labour practices is vital for businesses.

HUMAN RIGHTS

- Human rights are rights that everyone must enjoy by mere fact that they are human beings
- They are protected by the Bill of Rights contained in chapter two of the constitution of the Republic of South Africa.

HUMAN RIGHTS IN THE WORKPLACE

The following human rights are applicable in the workplace:

- Privacy
 - Dignity
- Equity
- Freedom of speech and expression
- Information
- Safety/Security and protection/Life

Note: (These human rights should be viewed in the context of the business /workplace)

WAYS IN WHICH BUSINESSES COULD DEAL WITH THE ABOVE-STATED HUMAN RIGHTS IN THE WORKPLACE.

Privacy

- Businesses may not violate the rights of the employees and clients.
- They should not provide personal information about employees to anyone else.
- Information on employees who have disclosed their HIV/Aids status/any chronic illness must be kept confidential.
- It is illegal to read other people's emails/record conversations unless stated clearly and upfront.

Respect/Dignity

- Businesses must treat all employees with respect/dignity regardless of their socio-economic status.
- They should not force workers to do embarrassing or degrading work.

Equity

- Businesses must give equal opportunities/not discriminate against their employees on the basis of gender/race/religion/sexual orientation, etc. should ensure that no employee suffers because of discrimination.
- Equal pay for work of equal value.
- They should apply relevant legislation fairly on all levels.

Freedom of speech and expression

- Businesses should allow open communication channels between management and employees.
- They should give employees a platform to raise their grievances without any victimisation.

- An employee should not be punished/discriminated against for voicing their opinion.

Information

- Workers should have access to information, including all information held by the government, e.g. policies/work schedules/employment contracts/labour laws such as BCEA/EEA/SDA, etc.
- Business needs to be transparent in their financial statements/Employees may request to see these statements with motivation.
- Employees should be informed/updated as new information becomes available.

Safety, security and protection of life

- Employees should work in a safe working environment free from hazardous products/areas.
- Provide workers with protective clothing, e.g. gloves and footwear, etc.
- Comply to safety legislation such as OHSA/COIDA, etc.
- Take precautionary measures to ensure employees and their belongings are safe in the workplace.

ECONOMIC RIGHTS OF EMPLOYEES IN THE WORKPLACE

- Free from forced labour.
- Free to accept/choose work.
- **Fair wages/Equal pay/Equal pay for work of equal value.**
- Reasonable limitation of working hours.
- Fair labour practice.
- **Safe/Healthy** working conditions.
- **Join/Form** trade unions.
- Right to participate in a legal strike

SOCIAL RIGHTS OF EMPLOYEES IN THE WORKPLACE

- The right to healthcare, food, water and social security
- The right to choose and practice religion
- The right to education

WAYS TO PROMOTE SOCIAL RIGHTS IN THE WORKPLACE

- Businesses should ensure that employees have access to clean water/social security.
- Encourage employees/Provide opportunities for skills training/basic education.
- Register workers with UIF to provide adequate protection in the event of unemployment/illness.
- Encourage employees to participate in special events, e.g. World Aids day.
- Provide health care services by establishing site clinics to give employees access to basic medical examinations.

WAYS TO PROMOTE CULTURAL RIGHTS IN THE WORKPLACE

- Provide the environment in which employees are free to use their own language when interacting with others during their free time.
- Businesses should encourage employees to attend/ participate in cultural activities.
- Allow employees to provide solutions to challenges from their own cultural perspective.
- Regular cultural information sessions will help employees to respect each other's culture in the workplace.
- Make provision for different cultures, such as food served in the canteen/entertainment at staff functions.
- Businesses should employ people from various cultural backgrounds.
- Employees should be trained on cultural tolerance/ Business policies should promote cultural tolerance.
- Have a flexible dress-code policy that allows employees to wear suitable cultural regalia/accessories.

IMPLICATIONS OF EQUALITY, RESPECT AND DIGNITY FOR BUSINESSES

- Businesses should treat all their employees equally, regardless of their race/ colour/age/gender/disability, etc.
- All workers should have access to equal opportunities/positions/ resources.
- Employers and employees need to comply with legislation with regard to equal opportunities/human rights in the workplace.
- Businesses should develop equity programmes/promote strategies to ensure that all employees are treated equally regardless of status/rank/power.
- Mission statement should include values of equality/respect.
- Training/Information/Business policies should include issues such as diversity/ discrimination/harassment.
- Employers should respond swiftly and fairly to reported incidents of discrimination in the workplace.
- Ensure that employees work in an environment that is conducive to safety/ fairness/free from embarrassment.
- Orders/Tasks should be given respectfully and allow the recipient/employee to have a say in the manner in which the task should be performed.
- Treat workers with respect/dignity by recognising work well done/the value of human capital.

INCLUSIVITY

Inclusivity means that no one should be excluded because of their gender/age/race/ language/disability. Businesses can achieve inclusivity by promoting equality, respect and dignity in the workplace.

DIVERSITY IN THE WORKPLACE

The meaning of diversity

- Diversity refers to the variety of people employed based on age/race/gender/ethnic groups/disabilities/material wealth/personalities/how employees see themselves and others.
- Businesses employ people from different cultural backgrounds.
- Businesses should have systems in place to support diversity issues.

Diversity issues in the workplace

- Poverty
- Race
- Gender
- Language
- Age
- Disability
- Religion
- Culture

Dealing with diversity issues in the workplace

Poverty

- Businesses should employ people from different socio-economic backgrounds/status.
- Give previously disadvantaged individuals a chance to be educated by incorporating Adult Basic Education and Training (ABET) into training programmes of the business.
- Train all employees so that they can be able to deal with retrenchment.
- Reward employees for services well-rendered.
- Ensure that the prices of products are affordable for the identified consumer market.
- Sponsor learnerships for unemployed people/use grants received from SETAs to train more unemployed people from local communities.
- Train some unemployed people from local communities as part of a business's CSI projects.
- Offer subsidised meals/canteen facilities on the premises.
- Supply free uniforms to employees for safety purposes.

Race

- Implement affirmative action policies as required by law.
- No discrimination should be made based on skin colour.
- Comply with the Employment Equity Act and BBBEE when appointing people.
- Ensure that the workplace is diverse by employing people from different race groups.
- When appointments are made, previously disadvantaged people should get preferential treatment.

Gender

- Males and females should be offered equal employment opportunities.
- Business directors should promote both men and women in managerial positions.
- Women should be employed to comply with EEA.
- Targets may be set for gender equity in the business.
- New appointments should be based on skills and ability.
- Introduce affirmative action by ensuring that male and female employees are remunerated fairly/equally.

Language

- Business may specify that all communications should be in one specific language only and would expect employees to have a certain level of fluency in that language.
- Provide training in the official language of the business.
- Employ an interpreter so that everyone can fully understand what is being said in a meeting.
- All business contracts should be in an easy-to-understand language and should be available in the language of choice for the relevant parties signing the contract.
- No worker should feel excluded in meetings conducted in one language only.

Age

- Promotions should not be linked to age, but rather to a specific set of skills.
- A business may not employ children aged 15 or younger.
- The ages of permanent workers should vary from 18 to 65 to include all age groups.
- A business may employ a person who is older than the normal retirement age, provided that person is the most suitable candidate.
- Businesses must encourage older employees to help young employees to develop their potential.
- Young employees must be advised to respect and learn from older employees.
- The business should encourage employees to be sensitive to different perspectives of various age groups.

Disability/Physically challenged/People living with disability

- Business should provide employment opportunities for people who are physically challenged.
- Accommodate people who are physically challenged by providing facilities/ ramps for wheel-chairs, etc.
- Ensure that workers with special needs are not marginalised/feel excluded from workplace activities.
- Business should be well informed on how to deal with disabled employees.
- Policies and programs should accommodate the needs of people with disabilities.
- Create an organisational culture/climate that is conducive for people with disabilities.
- Employees should be trained on how to deal with colleagues with disabilities.
- Business should bring in external experts to help with disability and accommodation issues.
- Ensure that employees with disabilities are treated fairly.

- Focus on skills/work performance of the disabled worker, rather than his/her disability/ possible problems he/she may pose in future.

Religion/Culture

- Business must be sensitive to special requests from different cultural groups, e.g. allow day(s) off for cultural holidays/festivals.
- Cater for special food/preparation methods in the workers' canteen.
- Businesses should acknowledge/respect cultural differences of employees.
- The business may not discriminate against employees on the grounds of their cultural background.
- Business must not force employees to do work that could be against their religion.

BENEFITS OF DIVERSITY IN THE WORKPLACE

- Workforce diversity improves the ability of a business to solve problems/innovate/cultivate diverse markets.
- Employees value each other's diversity and learn to connect/communicate across lines of difference.
- Diversity in the workforce improves morale/motivation.
- Employees demonstrate greater loyalty to the business because they feel respected/accepted/understood.
- Diversified workforce can give businesses a competitive advantage, as they can render better services.
- Being respectful of differences/demonstrating diversity makes good business sense/improves profitability.
- Diverse businesses ensure that its policies/practices empower every employee to perform at his/her full potential.
- Stakeholders increasingly evaluate businesses on how they manage diversity in the workplace.
- Employees from different backgrounds can bring different perspectives to the business.
- A diversified workforce stimulates debate on new/improved ways of getting things done.
- Employees represent various groups and are therefore better able to recognise customer needs and satisfy consumers.
- Businesses with a diverse workforce are more likely to have a good public image and attract more customers.

ENVIRONMENTAL ISSUES

Environmental issues relate to preserving a clean/safe/sustainable environment. Businesses should assess, control and address all the physical, chemical and biological factors in the environment.

Responsibilities of employers in promoting human health and safety in the workplace

- Provide and maintain all the equipment that is necessary to perform the work
- Keep the systems to ensure that there will be no harmful impact on the health and safety of workers.

- Reduce/Remove dangers to workers and provide personal protective clothing
- Ensure that the workers' health is not damaged by hazards resulting from production /processing/storage/transportation of materials or equipment
- Employers must know where potential dangers might be and take measures to eliminate or limit the harm
- Workers must be informed /instructed/and supervised to limit potential dangers to them/Emergency exit door signs should be visible to all employees
- Equipment must be used under the supervision of a designated trained worker
- Comply with safety laws which seek to promote a healthy working environment

Roles of health and safety representatives in protecting the workplace environment

- Ensure that protective clothing is provided/available to all workers.
- Identify potential dangers that could be harmful to their employees.
- Initiate/Promote/Maintain/Review measures to ensure the health and safety of workers.
- Ensure that employers conduct regular review of safety policies/rules/measures to prevent potential future accidents.
- Check/Monitor the effectiveness of health and safety measures with management.
- Ensure that all equipment that is necessary to perform the work is provided/maintained regularly.
- Promote safety training so that employees may avoid potential dangers/act proactively.
- Ensure that dangerous equipment is used under the supervision of trained/qualified workers.
- Ensure that workers' health and safety is not endangered by hazards resulting from production/processing/storage/transportation of material/equipment.
- Work together with the employer, to investigate any accidents/complaints from the workers concerning health and safety in the workplace.
- Ensure that employers comply with COIDA/OHASA.

NOTE: (Health and Safety Representatives are elected by co-workers to act on their behalf in addressing health and safety issues in the workplace.)

Responsibility of workers in promoting human health and safety in the workplace

- Workers should take care of their own health and safety in the workplace.
- Co-operate and comply with the rules and procedures, e.g. wear prescribe safety clothing.
- Report unsafe/unhealthy working conditions to the relevant authorities/management.
- Report accidents to the employer by the end of the shift
- Use prescribed safety equipment
- Take reasonable care of their own safety
- Inform the employer of any illness that may affect the ability to work.

Ways in which businesses could protect the environment and promote human health in the workplace

- Laws and regulations should be adhered to so that profits are not generated at the expense of the environment.
- Pollution and other environmental issues should always be considered in all business activities, e.g. safe disposal of waste/dumping of toxic waste, etc.
- Become involved in environmental awareness programmes.
- The environment can be protected by altering production techniques in favour of cleaner and greener technologies.
- Water for human consumption should be tested before it is used.

BUSINESS ROLES**PAPER 2****CHAPTER 13: CSR/CSICORPORATE SOCIAL RESPONSIBILITY (CSR)/CORPORATE SOCIAL INVESTMENT (CSI)****EXAMINATION GUIDELINES CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES****SOCIAL RESPONSIBILITY**

- Define/Elaborate on the meaning of social responsibility.
- Explain the relationship/link between social responsibility and triple bottom line.
- Suggest ways in which a business project can contribute towards the community: charitable contributions to NGO's, involvement in community education, employment, and employee volunteer programmes.
- Identify/Name the following socio-economic issues from given scenarios/statements:
 - HIV/Aids
 - Unemployment
 - Poverty
- Recommend/Suggest ways in which businesses can deal with the above-stated socio-economic issues.
- Explain/Recommend/Suggest ways in which businesses can contribute time and effort in improving the well-being of employees and communities.

CORPORATE SOCIAL RESPONSIBILITY/CSR

- Define/Elaborate on the meaning of CSR
- Describe/Explain the purpose of CSR
- Identify/Name/Outline the components of CSR: environment, ethical corporate social investment, health and safety.
- Identify CSR programmes from given scenarios/statements.
- Explain/Discuss/Evaluate/Analyse the impact (positives/advantages and/or negatives/ disadvantages) of CSR on businesses and communities

CORPORATE SOCIAL INVESTMENT/CSI

- Define/Elaborate on the meaning of CSI.
- Describe/Explain the purpose of CSI.
- Outline/Name CSI focus areas, e.g. community, rural development, employees, environment.
- Explain/Distinguish/Differentiate between CSR and CSI.
- Explain/Discuss/Evaluate/Analyse the impact (advantages/positives and/or disadvantages/ negatives of CSI on business and communities.

TERMS AND DEFINITIONS

Term	Definition
Social responsibility	An ethical viewpoint that says every individual/organisation has an obligation to benefit society as a whole.
Corporate	Refers to businesses/firms/organisations.
Corporate social responsibility (CSR)	The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large.
Corporate social investment (CSI)	The investment of corporate funds/other assets for the primary purpose of achieving social outcomes.
Contemporary Socio-economic issues	Current societal and economic factors that impact on the business.
Triple bottom line	Refers to the 3Ps that businesses should always consider in their operations, namely, PROFIT, PEOPLE and PLANET.
Sustainability	Using the resources in such a manner that future generations will be able to use them.
Well being	Caring for the needs of employees and the communities.
Demographics	Statistical data of the population in term of race, age and income.
Staff turn-over	Rate at which the employer must replace their employees.

INTRODUCTION

The idea of giving back to society and contribute to its betterment is vital for every business. Social responsibility is a moral obligation on businesses/individuals to take decisions or actions that is in favour and useful to society. It explains accountability businesses have towards the society. It can take different forms e.g. avoiding/minimising plastic usage as an effective means to protect the environment/switch to renewable energy. The main aim of social responsibility is to strike a balance between personal economic growth and social development.

SOCIAL RESPONSIBILITY

The meaning of social responsibility

- An ethical viewpoint that says every individual/organization has an obligation to benefit society.
- The responsibility of every citizen individual/organization to contribute towards the well-being of the community and the environment in which they live.
- **It happens when entities participate in activities aiming at society's welfare and growth.,**

Relationship/Link between triple bottom line and social responsibility

Profit/Economic

- Triple Bottom line means that businesses should not only focus on profit/charge high prices but should also invest in CSI projects.
- Businesses should not make a profit at the expense of its community.

People/Social

- Business operations should not have a negative impact on/exploit people/employees/customers/community.
- Businesses should engage/invest in sustainable community programmes/ projects that will benefit/uplift communities.
- Improve the lifestyle/quality of life of their human resources/employees.

Planet/Environment

- Businesses should not exhaust resources/harm the environment for production/profit purposes.
- They may support energy-efficient/eco-friendly products/production methods.
- Recycle/Re-use waste, e.g. packaging from recycled material.

Example of socio-economic issues from the scenario

SBAA CHICKEN FARM (SCF)

Sbaa Chicken Farm specialises in selling live and slaughtered chickens in the local township. Some SCF employees stay absent from work on a regular basis due to illnesses caused by not taking ARV treatment as prescribed. The majority in the community are not economically active. Some are unable to satisfy basic need.

Identification of socio-economic issues from the scenario above with motivation

SOCIO-ECONOMIC ISSUE	MOTIVATION
HIV/AIDS	Some SCF employees stay absent from work on a regular basis due to illnesses caused by not taking ARV treatment as prescribed.
Unemployment	The majority in the community are not economically active.
Poverty	Some are unable to satisfy basic need.

NOTE: Remember to quote as is from the scenario

Strategies to deal with HIV/Aids, unemployment & poverty as socio-economic issues

Strategies to deal with HIV/Aids

- Counselling programmes/train counsellors to provide infected and affected persons/employees.
- Develop counselling programmes for infected/affected persons/employees.

- Conduct workshops on HIV/Aids programmes/campaigns.
- Roll out anti-retroviral (ARV) treatment programmes (ART) for the infected employees.
- Encourage employees to join HIV/Aids support groups.
- Develop strategies to deal with stigma and discrimination.
- Participate in the HIV/Aids prevention programmes implemented in the community.
- Support non-governmental organisational/community-based organisation/NPC HIV/Aids initiatives.

Strategies to deal with unemployment

- Provide skills development programmes through learnerships.
- Offer bursaries to the community to improve the level of education.
- Create jobs for members of the community.
- Provide entrepreneurial programmes that can promote self-employment.
- Support existing small businesses to create more employment opportunities.

Strategies to deal with poverty

- Invest in a young starting SME that can be a business competitor, buyer or supplier.
- Attract the best employees by being socially responsible and offering the best volunteering programs.
- Support poverty alleviation programmes that are offered by the government.
- Donate money/food parcels to local NGO's.
- NOTE: Some strategies to deal with unemployment can also be used to deal with poverty.

Ways in which businesses could contribute to the wellbeing of their employees

- Pay fair wages/salaries to the workers based on the nature of their work/the prevailing economic conditions in the market.
- Working conditions should include safety/medical/canteen facilities/benefits like housing/leave/retirement.
- Provide for employees' participation in decision making that affects them.
- Provide employees with recreational facilities to socialise and strengthen work relations.
- Offer annual physical/medical assessments to workers to promote health awareness.
- Encourage employees to stay fit and healthy by getting them involved in health activities to minimize stress/substance abuse/obesity.
- Make trauma debriefing/counselling/therapy available to any employee who requires these services.

- Offer financial assistance in the case of any hardship caused by unexpected medical costs.
- Allow flexible working hours to enhance productivity.
- Offer support programmes for employees infected and affected by HIV/Aids.
- Make childcare facilities available on the premises for working mothers in the business.
- Start a nutritional programme so that employees can enjoy one meal per day to keep them in a healthy condition.
- Give time to staff to get involved in projects they choose /Allow staff to use some of the working hours to participate in the projects of their choice.
- Establish coaching and mentoring programmes for junior employees.
- Conduct team-building sessions to improve employees' morale.
- Encourage employees to attend capacity-building workshops/training programmes/staff-development programmes/team-development programmes.

Contribution of time and effort improving the wellbeing of the community

- **Business should improve the general quality** of life of their community, e.g. invest in education, etc.
- Ensure that the product they supply do not harm consumers/the environment.
- Refrain from engaging in illegal/harmful practices such as employing children under the legal age/selling illegal substances, etc.
- Make ethically correct business decisions, e.g. not engage in unfair/misleading advertising, etc.
- Donate money to a community project/run a project to uplift the community.
- Provide recreational/sport facilities to promote social cohesion/healthy activities.

COOPERATE SOCIAL RESPONSIBILITY/CSR

Meaning of CSR

- The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large.
- Corporate Social Responsibility/CSR is the way a business conducts its operations ethically and morally, regarding the use of human, physical and financial resources.
- Corporate Social Responsibility is an obligation required by law and benefits both business and society.

Purpose of CSR

- CSR programmes are internal programmes that businesses use to comply with laws and ethics.
- Key areas of concern are protecting the environment, the wellbeing of employees from the community and civil society in general.
- Businesses seek to promote public interest and do away with harmful practices without the need for any formal legislation.

- Business operations address Triple bottom line through CSR programmes by considering its impact on people, profit and planet.
- CSR aims at creating a safe working environment for employees.
- CSR programmes and activities the business undertakes to contribute positively to the community in which the business operates.
- CSR may take the form of a monetary donation to support local organisations

Components of Corporate Social Responsibility (CSR)

- Environment
- Ethical corporate social investment
- Health and safety
- Corporate governance
- Business ethics
- Employment equity
- Supply chain/Distribution channel
- Customers
- Community

Impact of CSR/CSI on businesses

Advantages/Positives of CSR/CSI on businesses

- May attract experienced employees/increase the pool of skilled labour which could increase productivity.
- Positive/Improved image as the business looks after employees and conducts itself in a responsible way.
- A business may have a competitive advantage, resulting in good publicity/an improved reputation.
- Promotes customer loyalty resulting in more sales.
- CSI projects may be used as a marketing strategy to promote their products.
- The business enjoys the goodwill/support of communities.
- CSR projects promote teamwork within businesses.
- CSR helps to attract investors because of increased profits/income.
- Gives businesses tax advantages such as tax reduction/-rebates.
- Assists in solving socio-economic issues like poverty/unemployment, etc.
- The government is less likely to enforce issues through legislation to businesses that voluntarily participate in CSI projects.
- Employees feel as if they are making a difference in working for the business.
- It helps to retain staff/lower staff turnover as employees' health and safety are considered.
- Improves the health of its employees through focused CSI projects.
- Businesses become more community-based by working closely with the community to roll out skills development projects.

AND/OR

Negatives/Disadvantages

- Business may not be supported/Customers may not buy their products/services resulting in a decrease in sales.

- Small and medium enterprises find it difficult to implement CSI programmes.
- Detailed reports must be drawn up, which can be time consuming.
- Social spending reduces business/economic efficiency which makes it less competitive.
- Social involvement is funded from business profits which could have been used to the benefit of customers/reduce prices.
- CSI activities distract business focus from its core business functions.
- Businesses find it difficult to adhere to legislation governing CSI.
- It can increase financial risk, as programmes cost money and may impact negatively on profits.
- It is difficult to accurately measure the effectiveness of social investment.
- It is not easy to determine the exact needs of the communities, which may result in fruitless expenditure on CSI.
- Most managers are not trained/lack experience to handle social programmes.
- Employees may spend more time working on CSI projects instead of focusing on their core duties.
- Providing goods/services that meet the needs of consumers is, according to some stakeholders, already socially responsible.
- Shareholders may receive less dividends, as some profits are spent on CSI.
- Some shareholders/stakeholders might withdraw their support from the business as they feel that social issues should be the government's responsibility.
- **NOTE: That the impact of CSR and CSI on business are the same**

Impact of CSR/CSI on communities

Positives/Advantages

- Community skills can be improved through the provision of bursaries.
- Better educational facilities are established in poor communities.
- The standard of living of the community is uplifted. /Quality of life of communities is improved.
- Investing in the medical infrastructure will improve the health of communities.
- Socio-economic issues are attended to/addressed which will improve the welfare of the community.
- Training opportunities in the community increase the possibility of appointments of members of the community.
- Implementing developmental programmes in the community improves entrepreneurial skills of communities.

AND/OR

Negatives/Disadvantages

- Businesses are not always equipped to address social problems.
- Communities tend to be dependent on CSR programmes and struggle to take their own initiatives.

- Communities may not sustain infrastructure provided through CSR projects due to a lack of financial resources.
- Distribution of scarce resources to selected beneficiaries in the community may cause problems such as discrimination.
- Some businesses only participate in CSR initiatives to raise profit and do not really care for the community in which they operate.
- Businesses cannot meet the longer-term needs of the society. /Businesses cannot deliver sustainable CSR programmes.
- The benefits of the programmes may not filter to the intended persons within the community.
- Spending money on CSR programmes means the business has to recover expenses through higher prices which have a negative impact on the economy.
- Businesses tend to focus on CSR projects that do not directly benefit the community.
- Consumers are not easily convinced that the business is acting in the best interest of the community/environment.
- Less money is available for community projects during unfavourable economic conditions. ✓

NOTE: That the impact of CSR and CSI on the community are the same

COOPERATE SOCIAL INVESTMENT /CSI

The meaning of CSI

- Refers to investment of corporate funds/other assets for the primary purpose of achieving social outcomes
- Money that a business budgets to provide solutions to social problems within the communities from which they draw their workers or where they make/sell their products/services.
- Projects that are not part of the normal business activities of a business and are designed and aim to benefit the community.
- The projects are not directly for purposes of increasing company profits.
- These projects have a strong developmental approach and utilise company resources to benefit and uplift communities.

Purpose of CSI

- CSI aims at contributing towards sustainable development✓ of its immediate communities.
- CSI is enforceable by law and government requires business to make CSI contributions.
- CSI projects play a positive role in the development of communities.
- CSI reveals a business's attitude towards the community in which it operates.
- CSI projects are long-term investment
- It is relevant to the South African context where socio-economic upliftment is such a priority.

CSI focus areas

- Community
- Rural development
- Employees
- Environment

Examples of CSI projects

- Donation to support local organisations
- Being involved in conversation projects
- Delivering services that government is unable/slow to deliver/ Building infrastructure
- Investing in job creation projects
- Providing adult basic education
- Teaching entrepreneurial skills
- Sponsoring arts and culture programmes
- Establishing programmes to promote early childhood development

Other examples of CSI projects from the scenario**JOE TRADING ENTERPRISE (JTE)**

Joe Trading Enterprise is making large profits due the excellent service and quality of products offered to customers. The management of JTE has decided to invest some of the business profit in the community they operate in by doing the following:

- Buy school uniforms for needy learners
- Offer HIV/ AIDS prevention programmes
- Offer food parcels to alleviate poverty
- Donate money to social events that benefit the community directly.
- Fund additional lessons, for example Mathematics and Science

Identification of examples CSI projects from the scenario

- School uniforms for needy learners
- HIV/ AIDS prevention programmes
- Food parcels to alleviate poverty
- Donating money to social events that benefit the community directly.
- Funding of additional lessons, for example Mathematics and Science

Differences between Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI)

Corporate Social Responsibility (CSR)	Corporate Social Investment (CSI)
- The intention is to change business practices.	- Actively committing money and resources to uplift the community.
- Focus is on increasing image and profits.	- Focus is on the upliftment of community without return on investment.
- Ensure that all internal CSI policies/ practices include stakeholders' interests/environmental issues.	- Ensure that CSI projects are relevant to the needs of communities.
- Often intended as a marketing initiative.	- Intended to benefit and uplift communities through social development.
- Projects are usually linked to the business, e.g. a manufacturing business offering to train the unemployed.	- Projects are external to the business and have a strong developmental approach.

BUSINESS VENTURES**PAPER 2****CHAPTER 15: PRESENTATION AND DATA RESPONSE****EXAMINATION GUIDELINES****PRESENTATION**

- Outline/Explain/Discuss factors that must be considered when preparing for a presentation. (Before the presentation)
- Outline/Explain factors that must be considered by the presenter while presenting, e.g. maintain eye contact/use visual aids effectively/move/do not speak fast/use pauses effectively, etc. (During the presentation)
- Identify factors that must be considered when preparing for a presentation and during the presentation from given scenarios/case studies.
- Explain how to respond to questions about work and presentations/handle feedback after a presentation in a non-aggressive and professional manner. (After the presentation)
- Explain/Suggest/Recommend areas of improvement in the next presentation.

DATA RESPONSE

- Discuss/Explain how to design a multimedia presentation, e.g. start with the text/content, select the background and /choose relevant images/create graphs.
- Give examples of non-verbal presentations, e.g. written reports, scenarios, types of graphs (e.g. line, pie and bar charts) as well as other non-verbal types of information such as pictures and photographs.
- Explain/Discuss /Evaluate the impact (positives/advantages and/or negatives/disadvantages) of each visual aid.
- Analyse the effectiveness (positives/advantages and/or negatives/disadvantages) of EACH visual aid.
- Identify visual aids from given scenarios/ statements

Terms and definitions

Term	Definition
Presentation	The act of communicating information/data to an
Data Response	Interpretation and analysis of information provided.
Feedback	Information about a presentation by an audience which is used as a
Non-verbal	Presentation of information to an audience without using spoken
Visual aids	Refers to charts/pictures/images that help to clarify a point/enhance
Tables	A set of facts/figures systematically displayed, especially in columns.

Graphs	Two-dimensional drawing showing a relationship between two set of
Diagrams	A drawing showing the appearance/structure/workings of data in a schematic representation.
Flipchart	A large pad of paper, bound so that each page can be turned over at the top to reveal the next page, used on a stand.
Hand-outs	Printed information provided to the audience to accompany a presentation.

INTRODUCTION

Presentation of data and business-related information forms a critical part of the work of managers and supervisors in any business. Conveying business related information to other stakeholders in the business allows them to make informed decisions.

Factors to be considered when preparing for a presentation

- Clear purpose/intentions/objectives and main points of the presentation.
- Main aims captured in the introduction/opening statement of the presentation.
- Information presented should be relevant and accurate.
- Fully conversant with the content/objectives of the presentation.
- Background/diversity/size/pre-knowledge of the audience to determine the appropriate visual aids.
- Prepare a rough draft of the presentation with a logical structure/format with an introduction, body and conclusion.
- The conclusion must summarise the key facts and how it relates to the objectives/shows that all aspects have been addressed.
- Create visual aids/graphics that will consolidate the information/facts to be conveyed to the board of directors.
- Find out about the venue for the presentation, e.g. what equipment is available/appropriate/availability of generators as backup to load shedding.
- Consider the time frame for presentation, e.g. fifteen minutes allowed.
- Rehearse to ensure a confident presentation/effective use of time management.
- Prepare for the feedback session, by anticipating possible questions/ comments.

Factors to be considered by the presenter while presenting

- Establish credibility by introducing yourself as the presenter at the start.
- Mention/Show most important information first.
- Make the purpose/main points of the presentation clear at the start of the presentation.
- Use suitable section titles/headings/sub-headings/bullets.
- Summarise the main points of the presentation to conclude the presentation.
- Stand in a good position/upright, where the audience can clearly see the presenter/presentation.
- Avoid hiding behind equipment.
- Do not ramble on at the start, to avoid losing the audience/their interest.

- Capture listeners' attention/Involve the audience with a variety of methods, e.g. short video clips/sound effects/humour, etc.
- Maintain eye contact with the audience.
- Be audible to all listeners/audience.
- Vary the tone of voice/tempo within certain sections to prevent monotony.
- Make the presentation interesting with visual aids/anecdotes/examples/Use visual aids effectively.
- Use appropriate gestures, e.g. use hands to emphasize points.
- Speak with energy and enthusiasm.
- Pace yourself/Do not rush or talk too slowly.
- Keep the presentation short and simple.
- Conclude/End with a strong/striking ending that will be remembered.
- Ensure that the audience will leave with/take away specific information/benefits.
- Include a statement/quote that will allow a professional/striking ending.
- Manage time effectively to allow time for questions.

Ways in which the presenter can handle feedback/questions in a non-aggressive and professional manner

- The presenter should stand throughout the feedback session.
- Be polite/confident/courteous when responding to questions.
- Ensure that each question/comment is clearly understood before responding/rephrase questions if uncertain.
- He should first listen and then respond.
- Provide feedback as soon as possible after the question was asked or after the session.
- Be direct/honest/sincere when responding to questions.
- Use simple language to support the examples used in the presentation.
- Keep answers short and to the point.
- Apologise/acknowledge his errors/mistakes if pointed out by the audience.
- Encourage questions from the audience/investors.
- Always address the questions and not the person.
- Acknowledge good questions to motivate audience to ask more questions.
- The presenter should not involve himself in a debate when responding to questions.
- The presenter should not avoid the questions if he/she does not know the answer, but rather promise feedback on it.
- Address the full audience/investors and not only the person who posed the question.

Areas of improvement in the next presentation

- The presenter should revise objectives that were not achieved.
- Use humour appropriately.
- Always be prepared to update/keep the information relevant.

- Reflect on any problem/criticism and avoid it in future presentations.
- Any information that the presenter receives as feedback from a presentation should be analysed and where relevant, incorporated/used to update/amend his presentation.
- Reflect on the time/length of the presentation to add/remove content.
- Increase/Decrease the use of visual aids or replace/remove aids that do not work well.
- Reflect on the logical flow of the format/slides/application of visual aids.

DATA RESPONSE

Aspects to be considered when designing a multimedia presentation

- Start with the text which forms the basis of the presentation.
- Select the background to complement/enhance the text.
- Choose images that may help to communicate the message.
- Include/Create graphics to assist the information which is conveyed.
- Add special effects/sound/pictures/animation to make it interesting for the audience.
- Create hyperlinks to allow quick access to other files/documents/video clips.
- Use legible font and font size so that it is easy to see/read.
- Keep slides/images/graphs/font simple by not mixing different styles/colours.
- Make sure there are no language/spelling errors.
- Use bright colours to increase visibility.
- Structure information in a logical sequence so that the audience can easily follow the content of the presentation.
- Limit the information on each slide by using key words and not full sentences

Examples of non-verbal presentation methods

- Tables
- Graphs/bar graph/line graph/histogram/pie graph
- Diagrams
- Illustrations/Pictures/Photographs/Scenarios
- Written/Business reports
- Flip charts
- Handouts
- Slide shows

IMPACT OF VISUAL AIDS

Impact of data projector/PowerPoint

Positives/Advantages

- Graphic programmes have the capacity to convey ideas and support what the presenter says.

- Easy to combine with sound/video clips.
- Simple/Less cluttered slides may capture the interest of the audience.
- Video clips can provide variety and capture the attention of the audience.
- Variation of colour/background/sound immediately captures the attention of the audience and retain their interest throughout the presentation.
- Slides should only be used where they can enhance the facts or summarise information.

AND/OR

Negatives/Disadvantages

- Unprofessional handling of the data projector/PowerPoint presentation material.
- May lead to irritation/may result in the audience losing interest.
- Less effective to people with visual impairments.
- Simply reading off the slides makes a presentation boring/meaningless.
- Unable to show slides without electricity/data projector.

Impact of Overhead projectors/transparencies

Positives/Advantages

- Summaries/Simple graphics/Diagrams/Processes may be explained easily on transparencies.
- It can be prepared manually (OHP pens) or electronically on computer/copier.
- A useful replacement/back-up if computer/electronic equipment fail or are not available.
- Effective transparencies/projections should be clear and visible, e.g. large print, few words/lines.
- Effective transparencies/projections should be clear and visible, e.g. large print, few words/lines.
- OHP transparencies can be used to reflect colour images.
- It may be an effective/useful reminder to the presenter of all the points to be covered.

AND/OR

Negatives/Disadvantages

- Transparencies that are not well ordered/ organised, may convey an unprofessional image.
- It can be easily replaced by a PowerPoint presentation.
- Not easy to combine with sound/audio.
- Used most effectively when lights are dimmed/switched off which make it difficult for the audience to make their own notes.

Impact of hand-outs

Positives/Advantages

- Meaningful hand-outs may be handed out at the start of the presentation to attract attention/encourage participation.

- Notes/Hard copies of the slide presentation can be distributed at the end of the presentation as a reminder of the key facts of the presentation.
- It is easy to update handouts with recent information/developments.
- Notes may be compared with electronic slides /PowerPoint to validate/compare the accuracy of the information.
- Extra information such as contact details/price lists may be handed out to promote the services of the business.
- Useful information for improving the next presentation may be obtained when the audience completes feedback questionnaires after the presentation.

AND/OR

Negatives/Disadvantages

- Handing out material at the start of the presentation may distract/lose audience attention.
- As it only summarises key information, some details might be lost/omitted.
- Printed material is expensive, and it is easy to lose hard copies.
- Increases the risk of unauthorised duplication and the use of confidential information.
- Handouts cannot be combined with audio material; it only focuses on the visual aspects of the support material.

Impact of flip charts

Positives/Advantages

- Mainly used for a small audience to note down short notes/emphasise concepts/ideas.
- Presenters can prepare sets of pages in advance to save time during the presentation.
- Very effective in brainstorming sessions as suggestions are summarised or listed.
- In a sales pitch it may be useful during the feedback session to summarise main facts/aspects that the presenter needs to follow up.
- Presenters can record a summary of responses received from the stakeholders/audience.

AND/OR

Negatives/Disadvantages

- There may not be enough time during the presentation to make written notes, so some ideas may not be listed.
- Handwriting may be illegible/untidy which may not contribute to a professional image/presentation.
- It may not always be possible to prepare flip charts before the presentation, so it can become cluttered/chaotic.

- A flip chart that is used during a presentation is often not well written and may confuse the stakeholders/audience.

Impact of Interactive whiteboard/Smart boards

Positives/Advantages

- Images can be projected directly from a computer, so no external projector/devices necessary.
- Special pens allow the presenter to write on the board while prepared images are displayed.
- Additional notes that were added during the presentation can be captured on computer after the presentation.
- It can be controlled by the touch of a finger, so the presenter can move away from the computer during the presentation.
- Easy to combine with sound/other visual aids.
- Useful to capture feedback and new ideas.

AND/OR

Negatives/Disadvantages

- Should only be used by a presenter who knows the unique features of the interactive whiteboard/who can use it to its full potential.
- Cannot be connected to any computer as special, licensed software is needed to be able to use it.
- Technical challenges may render it ineffective, e.g. loss of signal while using it.

Impact of posters/signs/banners/portable advertising stands/flags

Positives/Advantages

- It should be colourful/eye-catching/creative to support the core message of the presentation.
- May contain large illustrations/pictures/features of the products/key concepts to emphasise detail, e.g. creative jewellery/unique features of the jewellery.
- Can make impact when placed strategically in/outside the venue.
- Useful in promoting the logo/vision of the business.

AND/OR

Negatives/Disadvantages

- May overpower/draw attention away from the presentation if it is too big/not placed correctly.
- May not always be useful in a small venue/audience as it can create a 'crowded' atmosphere.
- Only focuses on visual aspects as it cannot always be combined with sound/audio.

BUSINESS VENTURES

PAPER 2

CHAPTER 15: FORMS OF OWNERSHIP

EXAMINATION GUIDELINES

Learners should be able to:

- Explain the meaning of limited liability and unlimited liability.
- Explain/Discuss the characteristics of each form of ownership.
- Recap: Discuss/Explain/Evaluate the impact (positives/advantages and/or negatives/disadvantages) of the different forms of ownership.
- Explain/Discuss how the following criteria could contribute to the success and/or failure of each form of ownership:
 - **Taxation:** The tax requirements of each form of ownership determine the impact of taxation on business success/failure.
 - **Management:** Ownership impacts on management functions which determine the success/failure of the business.
 - **Capital:** refers to the ability to obtain capital from various sources (e.g., own/borrowed capital). The amount of capital that can be sourced will also impact on business success/failure.
 - **Division of profits:** refers to how profit is divided between owner(s)/shareholders/ investors.
 - **Legislation/Legal requirements:** for establishment/starting a business impact on the establishment costs and time before a business can legally do business.

TERMS AND DEFINITIONS

Term	Definition
Form of ownership	The legal position of the business and the way it is owned.
Continuity	Continue to exist even if a change of ownership takes place, e.g. a member or shareholder dies or retires.
Surety	If a person or business accepts liability for the debt of another person or business.
Securities	Shares and bonds issued by a company.
Limited liability	Losses are limited to the amount that the owner invested in the business.
Unlimited liability	The owner's personal assets may be seized to pay for the debts of the business.
Memorandum of Incorporation (MOI)	The document that sets out the rights, responsibilities and duties of shareholders and directors (serves as a

	constitution of a company).
Sole Trader /Sole proprietor	A business is owned and controlled by one person who takes all the decisions, responsibility and profits from the business they run.
Partnership	An agreement between two or more parties that have agreed to finance and work together in the pursuit of common business goals.
Co-operative society	Autonomous association of persons united voluntarily to meet their common economic/ social needs/aspirations through a jointly owned and democratically controlled enterprise.
Company	A company is a legal person who has capacity and powers to act on its own.
Profit Companies	A company incorporated for the purpose of financial gain for its shareholders.
Non-profit company	A non-profit company is an association incorporated not for gain.
Public company	A public company is a voluntary association of ONE or more persons, governed by the company Act 71 of 2008, incorporated in terms of the Memorandum of Incorporation.
Private company	A private company is a voluntary association of 1 or more persons.
Personal liability company	A personal liability company is a voluntary association of 1 or more person.
State-Owned company	A state-owned company (SOC) is a legal entity that is created by the government to participate in commercial activities on its behalf.
Partnership Article	A document that contains exhaustive provisions with regards to the matters concerning the business and the partners.
Prospectus	Prospectus is a document inviting the public to buy securities/shares.
Annual General Meeting (AGM)	A meeting held once a year where the shareholders receive a report stating how well the company has done.
Directors	People elected to the board of a company by the shareholders to represent the shareholders' interests.

INTRODUCTION

One of the first and most important decisions a business owner makes is choosing the best suitable form of ownership under which he or she will operate. Each form of ownership has its own advantages, disadvantages, risks, and rewards that can affect the business's opportunity for long-term success. Entrepreneurs must consider various factors that may contribute to the success and/or failure of a business. Sometimes businesses may need to change their form of ownership as they develop and expand over time.

Meaning of limited and unlimited liability

- Limited liability – Losses are limited to the amount that the owner invested in the business.
- Unlimited liability – The owner's personal assets may be seized to pay for the debts of the business.

Differences between limited and unlimited liability

LIMITED LIABILITY	UNLIMITED LIABILITY
<ul style="list-style-type: none"> • Losses are limited to the amount that the owner invested in the business. 	<ul style="list-style-type: none"> • The liability of the owners to pay debts/claims is not limited to the business only.
<ul style="list-style-type: none"> • The owner's personal assets are protected against the debts of the business. 	<ul style="list-style-type: none"> • The owner's personal assets may be seized to pay for the debts of the business.
<ul style="list-style-type: none"> • Applicable to forms of ownership/ companies that have a separate legal entity/personality. 	<ul style="list-style-type: none"> • Applicable to a sole trader and partnership as they do not have a separate legal entity/personality

DIFFERENT FORMS OF OWNERSHIP**Characteristics and impact of each form of ownership****Sole proprietor****Definition**

- A sole trader is a business that is owned and managed by one person.

Characteristics of a sole proprietor

- The owner has a personal interest in the management and the services that is rendered.
- It is easy to establish as there are no legal formalities in forming the business.
- The necessary capital to run the business is provided by the sole owner/The owner may borrow from other sources including financial institutions as need arises
- There are no legal requirements regarding the name of the business.
- The owner has unlimited liability/The owner is personally liable for the debt of the business.
- A sole trader has limited company for expansion and lacks continuity of existence.
- The business has no legal personality and therefore has no continuity/ Continuity depends on the life and health of the owner.
- The sole proprietor does not pay tax owners pay personal income tax on private capacity.

Impact of a sole trader

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> Owner makes all decisions. 	<ul style="list-style-type: none"> Unlimited liability which means the owner is responsible for all debts incurred.
<ul style="list-style-type: none"> Requires little capital to start. 	<ul style="list-style-type: none"> Cash flow is often a problem.
<ul style="list-style-type: none"> The owner takes all the profits made by the business and entitled to the ownership of assets. 	<ul style="list-style-type: none"> Growth of business can be restricted due to lack of capital.
<ul style="list-style-type: none"> Simple management structure. 	<ul style="list-style-type: none"> Not a legal entity and no continuity
<ul style="list-style-type: none"> Can easily adapt to the needs of the client/customer. 	<ul style="list-style-type: none"> Difficult to attract highly skilled and knowledgeable employees.
<ul style="list-style-type: none"> No legal process and requirements. 	<ul style="list-style-type: none"> The owner is responsible for providing all the capital needed.
<ul style="list-style-type: none"> The assets of the business belong to the owner. 	<ul style="list-style-type: none"> If the owner does not have enough knowledge/experience the business may fail.
<ul style="list-style-type: none"> There is personal encouragement and personal contact between the owner and customers. 	
<ul style="list-style-type: none"> It is managed by the owner assisted by some paid workers in some instances/The ultimate control of the business rests with the owner. 	

Factors that contribute to the success and/or failure of a sole trader

Factor	Success	AND/OR	Failure
Management	<ul style="list-style-type: none"> Managed/Controlled by the owner who has a direct interest in the success of the business. Urgent decisions are taken on opportunities that can lead to business growth. 		<ul style="list-style-type: none"> Lack of adequate business management skills/knowledge may lead to business failure. Poor decision making by the owner can impact negatively on profitability.
Taxation	<ul style="list-style-type: none"> Owner only taxed on profits in personal capacity. Depending on how much income the owner earns, his/her tax rate may be lower than the company tax rate. 		<ul style="list-style-type: none"> If profits get too big may end up paying high tax in personal capacity. Failure by the owner to comply with personal income tax regulations could lead to substantial financial penalties imposed by SARS.

	<ul style="list-style-type: none"> If the owner earns below a certain threshold amount per year, no income tax is payable, and the business's profits are thus not taxed. 	
Capital	<ul style="list-style-type: none"> Capital can be carefully spent and managed The owner may be able to borrow money from a financial institution, especially if he/she has assets that can be used as surety for a loan. 	<ul style="list-style-type: none"> Profits may not be large enough for expansion. Cannot appoint people with large salaries Owner responsible for any capital borrowed.
Division of profits	<ul style="list-style-type: none"> Owner receives all profits from the business which can lead to capital growth. The owner may use profit to expand the business. 	<ul style="list-style-type: none"> Owner needs to budget carefully so that business debts are covered. If the owner does not make a profit, the income and livelihood of the owner may be severely affected. The owner is personally liable for the loss of the business. Profits may not cover all business debts/Owner may decide not to expand.
Legislation/legal requirements	<ul style="list-style-type: none"> It is easy/inexpensive to start. Unlimited liability may encourage the owner to work harder to ensure the success of the business. There are limited regulatory requirements regarding the name of the business. It is not compulsory to have financial statements audited. 	<ul style="list-style-type: none"> Unlimited liability may discourage owners if the business struggled to pay off its debts. Personal debts and business debts are not separated. Must comply with relevant municipal regulations or it could close down. The owner is personally liable for the business debt; he/she may be reluctant to take Business may only qualify for more loans if they are licenced/Loans are not easily obtainable.

Partnership

Definition

A partnership is an agreement between two or more parties that have agreed to finance and work together in the pursuit of common business goals. All partners bear equal responsibility for debts incurred.

Characteristics of a partnership

- An agreement between two or more people who combine labour, capital and resources towards a common goal.
- Partners combine capital and may also borrow capital from financial institutions.
- No legal requirements regarding the name of the business.
- Partners have unlimited liability and are jointly and severally liable for the debts of the business.
- Profit is shared according to the partnership agreement.
- Partnership does not pay tax partners pay personal income tax.
- Auditing of financial statements is optional.
- Partners share responsibilities and they are all involved in decision making.
- No legal formalities to start, only a written partnership agreement is required.
- The partnership does not pay income tax, only the partners in their personal capacities.
- Diversity, specialisation and different skills of the partners can be used to manage the business.
- Partnership has no legal personality and therefore has no continuity.
- Partners share responsibilities and they are all involved in decision making.

Impact of a partnership

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • The partners able to put their knowledge and skills together to collectively make the best decisions. 	<ul style="list-style-type: none"> • A partnership has unlimited liability
<ul style="list-style-type: none"> • The workload and responsibility is shared between partners. 	<ul style="list-style-type: none"> • Each business partner is legally responsible for the joint liability of the partnership.
<ul style="list-style-type: none"> • Partners are able to share resources. 	<ul style="list-style-type: none"> • Different personalities and options of partners can lead to conflict it disagreements.
<ul style="list-style-type: none"> • Partners are only required to pay tax in their personal and individual capacity. 	<ul style="list-style-type: none"> • Partners might not all contribute equally.
<ul style="list-style-type: none"> • The partners have a personal interest in the management of the business. 	<ul style="list-style-type: none"> • Loss in profits and stability of the business can occur if a partner resigns/ dies/loses interest in the business or is declared bankrupt.
<ul style="list-style-type: none"> • Can bring in extra partners at any time. 	<ul style="list-style-type: none"> • There can be lack of capital and cash flow.
<ul style="list-style-type: none"> • Attract prospective employees with the option or incentives of becoming a partner. 	

Factors that contribute to the success and/or failure of a partnership

Factor	Success	AND/OR	Failure
Management	<ul style="list-style-type: none"> Partners are actively involved in management and may use the ideas of other partners. Not all partners need to be actively involved in management and would rather appoint competent managers. Partners have access to expertise of other partners when difficult decisions have to be made. 		<ul style="list-style-type: none"> Decision making can be time- consuming as all partners have to be in agreement Some management tasks may be neglected, as one partner may leave it to others to complete Partners may disagree on how to run the business, which may lead to tension between them Partners are agents of the partnership and bad management decisions may be forced onto other partners. Different personalities/opinions could lead to conflict/ disagreements.
Taxation	<ul style="list-style-type: none"> Partnerships pay VAT only on relevant products sold/services rendered which reduces tax administration The partnership does not pay income tax, only the partners in their personal capacities 		<ul style="list-style-type: none"> High-earning partners pay more tax, which may discourage other partners from joining the partnership. Partners may withdraw more cash to reduce their tax burden which may cause cash flow problems for the partnership
Capital	<ul style="list-style-type: none"> Capital can be carefully spent and managed. More than one partner contributing to capital. 		<ul style="list-style-type: none"> Partners may not all have capital to put into business when needed. Unequal inputs as some partners put in expertise instead of cash.
Division of profits	<ul style="list-style-type: none"> Partners share profits according to their contributions. 		<ul style="list-style-type: none"> Amount of work done may not be equal to the amount of profit that each partner receives.
Legislation	<ul style="list-style-type: none"> Easy and cheap to establish, as partners must draw up partnership agreement. Partners are more motivated to make a success because 		<ul style="list-style-type: none"> Unlimited liability/ partners are jointly and severally liable for the debts of the business. If one partner dies or retires, the remaining

	of their personal possessions are at risk. <ul style="list-style-type: none"> • No regulatory requirements regarding the name of the business. • Only subjected to the provisions of the Income Tax Act as compared to companies. 	partners need to draw up a new agreement. <ul style="list-style-type: none"> • Oral agreements between partners can cause conflict between partners. • A partnership is not a legal entity and cannot sue or be sued.
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Private company

Definition

It can be a small or large company and has one or more directors. It is a form of ownership that is owned by individuals or a small group of shareholders and is not publicly traded on a stock exchange

Characteristics of a private company

- Requires one or more directors and one or more shareholders.
- It needs a minimum of one shareholder and there is no limit on the number of shareholders that a private company may have.
- Register with the registrar of companies by drawing up Memorandum of Incorporation.
- The company name ends with letters (PTY) Ltd.
- A private company is not allowed to sell shares to the public.
- Investors put capital in to earn profit from shares.
- The company has a legal personality as well as unlimited continuity.
- The auditing of financial statements is optional.
- Profits are shared in the form of dividends in proportion to the share held.
- Shareholders have a limited liability and will not lose their initial capital invested if the business goes bankrupt.
- Shareholders have limited liability and a separate legal entity.
- Raises capital by issuing shares to its shareholders.
- Profits are shared in the form of dividends in proportion to the number of shares held.

Impact of a private company

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • More opportunities to pay less taxation. 	<ul style="list-style-type: none"> • Requires a lot of capital.
<ul style="list-style-type: none"> • Good long-term growth opportunities. 	<ul style="list-style-type: none"> • The more shareholders, the less profits.
<ul style="list-style-type: none"> • Own legal identity and shareholders have no direct legal implications/ limited liability. 	<ul style="list-style-type: none"> • More taxation requirements.

<ul style="list-style-type: none"> • Board of directors with expertise/experience can be appointed to take decisions 	<ul style="list-style-type: none"> • Directors do not have a personal interest
<ul style="list-style-type: none"> • Not required to file annual financial statements with the commission. 	<ul style="list-style-type: none"> • Annual financial statements must be reviewed by a qualified person, which is an extra expense to the company.
<ul style="list-style-type: none"> • It is a legal person and can sign contracts in its own name. 	<ul style="list-style-type: none"> • Difficult and expensive to establish as the company is subjected to many legal requirements.
<ul style="list-style-type: none"> • The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner. 	<ul style="list-style-type: none"> • Pays tax on the profits of the business and on declared dividends/Subject to double taxation.
<ul style="list-style-type: none"> • Financial statements are private and not available to the public. 	<ul style="list-style-type: none"> • Must prepare annual financial statements.
<ul style="list-style-type: none"> • A company has continuity of existence. 	
<ul style="list-style-type: none"> • It is possible to sell a private company as it is a legal entity. 	
<ul style="list-style-type: none"> • It can easy raise capital by issuing shares to its members. 	

Factors that contribute to the success and/or failure of a private company

Factor	Success	AND/OR	Failure
Management	<ul style="list-style-type: none"> • Managed at least by one competent highly skilled director. • The management of the company can improve since directors are accountable to shareholders. • Shareholders can vote for/appoint the most capable directors to manage their company 		<ul style="list-style-type: none"> • Directors may not have a direct interest in the company, which can hamper growth and profit maximization. • Directors' fees increase the company's expenses which reduces net profit. • Some shareholders may not exercise their voting rights resulting in choosing the wrong person as a director. • Large management structures can result in decision-making taking time. • Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration.

Taxation	<ul style="list-style-type: none"> • Can obtain tax rebates if they are involved in SCI projects. • Can obtain government tenders and renew their licenses if they do not evade tax. 	<ul style="list-style-type: none"> • Subject to double taxation e.g. shareholders pay secondary tax this can have a negative impact to a company that is already financially struggling.
Capital	<ul style="list-style-type: none"> • Large amount of capital can be raised since there is no limit on the number of shareholders. • The company can access long term capital and therefore has good long term growth opportunities. • Even though shares are not freely transferable, large private companies can raise considerable amount of capital. More capital can be raised by issuing shares to shareholders. 	<ul style="list-style-type: none"> • It cannot grow into a very large business since it cannot invite the public to buy shares. • Restrictions on transferability of shares may not attract financially strong investors. • Large amount of capital cannot be obtained as capital contribution is only limited to private shareholders.
Division of profits	<ul style="list-style-type: none"> • High profits and good returns to shareholders indicate the success of a company, which increases the value of shares • Profits generated can be re-invested to expand business operations • Shareholders receive profits according to the type and number of their shares. 	<ul style="list-style-type: none"> • Shareholders may sell their shares when dividends are low, resulting in a drop in share prices • Dividends are not always paid out which may discourage new investors.
Legislation	<ul style="list-style-type: none"> • Procedures to form a private company have been simplified by the new Companies Act 71 of 2008 • Limited liability allows for greater risk taking, which may lead to growth of the business 	<ul style="list-style-type: none"> • Formation procedures are time consuming/complicated/expensive, as many legal documents need to be prepared/submitted • High formation/establishment

	<ul style="list-style-type: none"> • Auditing of financial statements (if required), gives shareholders the assurance that the business is being properly managed and supports raising additional finance • There is no longer a limit on the number of shareholders in a private company. • A private company can benefit from government programmes if they comply with the relevant legislation • Personal liability of shareholders does not affect the company's assets 	<p>expenses require large start-up capital.</p> <ul style="list-style-type: none"> • Annual audit of financial statements (if required) is costly • If a private company does not comply with legislation, its licence maybe withdrawn by the Companies and Intellectual Property Commission (CIPC).
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Personal Liability Company

Definition

- Very similar to a private company, the difference is that the directors of a Personal Liability company are jointly and severally liable for all the debts and liabilities of the company. This means that the directors have unlimited liability.
- The name of the personal liability company ends in INC and the name of the private company ends in (PTY) Ltd.

Characteristics of a personal liability company

- The company name must end with letters INC
- Directors have unlimited liability, and they are jointly liable for the debts of the business even if they are long out of office.
- The memorandum of Incorporation should state that it is a personal liability company.
- They must at least have one director on their board of directors.

NOTE: Other characteristics of a personal liability company are the same as the private company except the above mentioned two characteristics.

Impact of a personal liability company

Advantages and/or disadvantages

- NOTE:**
1. The advantages of a personal liability company are the same as the private company.
 2. The disadvantages are also the same as the private company **except** the directors of the personal liability company have unlimited liability.

Factors that contribute to the success and/or failure of a personal liability company

Factor	Success	AND/OR	Failure
Management	<ul style="list-style-type: none"> • PLC is managed by a competent board of directors who may be experts in their fields. • Quick decisions can be made even if there is only one director. • Shareholders can vote for/appoint the most capable directors to manage their company. 		<ul style="list-style-type: none"> • Directors may not have a direct interest in the company, which can hamper growth and profit maximization • PLC and its shareholders are compelled to budget a larger amount for directors' remuneration to attract the best directors. • Directors' fees increase the company's expenses which reduces net profit
Taxation	<ul style="list-style-type: none"> • Can obtain tax rebates if they are involved in SCI projects. • Can obtain government tenders and renew their licenses if they do not evade tax. • PLC only pays tax after business expenses have been deducted. • Companies and shareholders are taxed separately/double taxation. • The company pays tax at a fixed rate which can be lower than that of partnerships. • Image of the business is promoted and attracts investment when companies comply with tax regulations/laws. 		<ul style="list-style-type: none"> • Subject to double taxation e.g. shareholders pay secondary tax this can have a negative impact to a company that is already financially struggling.
Capital	<ul style="list-style-type: none"> • Capital can be increased by getting more shareholders. 		<ul style="list-style-type: none"> • It cannot grow into a very large business since it cannot invite the public to buy shares. • Restrictions on transferability of shares may not attract financially strong investors. • Large amount of capital cannot be obtained as

		capital contribution is only limited to private shareholders.
Division of profits	<ul style="list-style-type: none"> • High profits and good returns to shareholders indicate the success of a company, which increases the value of shares • Profits generated can be re-invested to expand business operations. 	<ul style="list-style-type: none"> • Shareholders may sell their shares when dividends are low, resulting in a drop in share prices • Dividends are not always paid out which may discourage new investors.
Legislation	<ul style="list-style-type: none"> • The company and its owners (shareholders) are separate entities, which may encourage more people to join the company • Directors are forced (by the Act) to act responsibly and work harder towards the success of the company to protect their personal assets • Directors sign performance contracts which will motivate them to perform professionally and ethically • Rights and duties of shareholders are stipulated in the Companies Act, which minimises unethical and corrupt behaviour • May obtain government tenders as the PLC is properly registered in compliance with the Companies Act 	<ul style="list-style-type: none"> • Lengthy registration requirements may delay the actual operation of the business and shareholders can loose on profitable opportunities • It is expensive to register this form of ownership which increases business expenses hence reducing profit • The drafting of directors' performance contracts may be time consuming, expensive and increase costs • Auditing is required only if the PLC meets the requisite tests for solvency and liquidity, which leads to extra auditing costs.

Differences between the private and a personal liability company

PRIVATE COMPANY	PERSONAL LIABILITY COMPANY
<ul style="list-style-type: none"> • The name ends with (PTY) Ltd 	<ul style="list-style-type: none"> • The name ends with INC
<ul style="list-style-type: none"> • The directors are not personally liable for the debts of the business. 	<ul style="list-style-type: none"> • The directors are personally liable for the debts of the business.

Public company**Definition**

- A public company is a company that is registered to offer its stock and shares to the public. This is mostly done through the Johannesburg Securities/Stock Exchange (JSE).
- The public company is designed for a large –scale operation that require large capital investments.

Characteristics of a public company

- A minimum of one person is required to start a public company.
- Requires three or more directors and three or more shareholders.
- Register with the Registrar of Companies by drawing up Memorandum of Incorporation.
- The company name ends with letters Ltd.
- Has legal personality and therefore has unlimited continuity
- Raises capital by issuing shares to the public and borrowing capital by issuing a debenture.
- A prospectus is issued to the public to raise capital.
- Shareholders have a limited liability.
- The new Act forces personal liability on directors who knowingly participated in carrying out business in a reckless/fraudulent manner.
- The company has a legal personality as well as unlimited continuity.
- A public company is required to hold an AGM (Annual General Meeting).
- Auditing of financial statements is compulsory and audited statements are available to shareholders and the public.
- Profits are shared in the form of dividends in proportion to the share held.

Impact of a public company

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • The business has its own legal identity 	<ul style="list-style-type: none"> • Must disclose all financial information
<ul style="list-style-type: none"> • Easy to raise funds for growth through the sale of shares. 	<ul style="list-style-type: none"> • Large amount of funds is spent on financial audits.
<ul style="list-style-type: none"> • Shareholder is only liable for the amount which is invested/Shareholders have limited liability. 	<ul style="list-style-type: none"> • Stocks must be traded publicly.
<ul style="list-style-type: none"> • Can appoint a knowledgeable board of directors. 	<ul style="list-style-type: none"> • A full report must be submitted to the major shareholders each year.
<ul style="list-style-type: none"> • Buy and sell shares freely. 	<ul style="list-style-type: none"> • Difficult and expensive to establish as the company is subjected to many legal requirements
<ul style="list-style-type: none"> • Shareholders can sell/transfer their shares freely. 	<ul style="list-style-type: none"> • The more shareholders, the less profit.
<ul style="list-style-type: none"> • The public has access to the information, and this could motivate them to buy shares from a company. 	<ul style="list-style-type: none"> • Shareholders may be allowed little or no input into the affairs of the company.
<ul style="list-style-type: none"> • Additional shares can be raised by issuing more shares or debentures 	<ul style="list-style-type: none"> • Due to legislation, decisions take longer and there may be disagreements.
<ul style="list-style-type: none"> • Strict regulatory requirements protect shareholders. 	<ul style="list-style-type: none"> • Financial affairs must be known to publicly, this information could be used to competitors' advantage.

Factors that contribute to the success and/or failure of a public company

Factor	Success	AND/OR	Failure
Management	<ul style="list-style-type: none"> • Managed at least by one competent highly skilled director. • The management of the company can improve since directors are accountable to shareholders. • Shareholders can vote for/appoint the most capable directors to manage their company. 		<ul style="list-style-type: none"> • Directors may not have a direct interest in the company, which can hamper growth and profit maximization • Large management structure can result in decision making taking time. • Directors' fees increase the company's expenses which reduces net profit • Management may open to legal challenges if their reports do not comply with King Code 111. • Some shareholders may not exercise their voting

		<p>rights resulting in choosing the wrong person as a director.</p> <ul style="list-style-type: none"> • Directors may not be motivated to work very hard because shareholders decide on the directors' remuneration
Taxation	<ul style="list-style-type: none"> • Can obtain tax rebates if they are involved in SCI projects. • Can obtain government tenders and renew their licenses if they do not evade tax. 	<ul style="list-style-type: none"> • Subject to double taxation e.g. shareholders pay secondary tax this can have a negative impact to a company that is already financially struggling
Capital	<ul style="list-style-type: none"> • Can raise large amounts of capital as shares/ debentures can be sold to the public/shareholders • Share capital clause in the Memorandum of Incorporation (MOI) may be changed to issue more shares • A public company's shares are listed on the JSE which gives the company exposure to more potential investors. 	<ul style="list-style-type: none"> • Growth is limited if sufficient capital cannot be raised. • Large amounts of capital required to start a public company. • Raising extra capital may be difficult if the economic climate is unfavourable/Share prices change all the time and they may lose value. • An increase in the number of shares issued may lead to more dividends paid out/less retained income from company profits.
Division of profits	<ul style="list-style-type: none"> • High profits and good returns to shareholders indicate the success of a company, which increases the value of shares • Profits generated can be re-invested to expand business operations • Shareholders receive profits according to the type and number of their shares. 	<ul style="list-style-type: none"> • Shareholders may sell their shares when dividends are low, resulting in a drop in share prices • Dividends are taxable/not always paid out which may discourage new investors.
Legislation	<ul style="list-style-type: none"> • The company and its owners (shareholders) are separate entities, 	<ul style="list-style-type: none"> • Formation procedures are time consuming/complicated/

	<p>which may encourage more people to join the company</p> <ul style="list-style-type: none"> • Limited liability allows for greater risk taking, which may lead to growth of the business • Auditing of financial statements, gives shareholders the assurance that the business is being properly managed and supports raising additional finance. 	<p>expensive, as many legal documents need to be prepared/submitted</p> <ul style="list-style-type: none"> • High formation/establishment expenses require large start-up capital. • Annual audit of financial statements is costly. • If a public company does not comply with legislation, its licence maybe withdrawn by the Companies and Intellectual Property Commission (CIPC).
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Differences between the private and public company

PRIVATE COMPANY	PUBLIC COMPANY
- May no offer shares to the general public.	- Trades its shares publicly on the Johannesburg Securities Exchange.
- Shares are not freely transferable	- Shares are freely transferable.
- Minimum of one director.	- Minimum of three directors.
- Name must end with Proprietary Limited/(Pty) Ltd.	- Name must end with Limited/Ltd.
- Annual financial statements need not be audited and published.	- Annual financial statements need to be audited and published.
- Does not need to publish a prospectus as it cannot trade its shares publicly.	- Have to register and publish a prospectus with the Companies and Intellectual Property Commission/CIPC.
- The company is not required to raise the minimum subscription/ issue minimum shares.	- Must raise a minimum subscription prior to commencement of the company.

State –owned company

Definition

- A state-owned company has the government as its major shareholder and falls under the department of Public Enterprise.
- These businesses take on the role of commercial enterprise on behalf of the government.

Characteristics of a State –Owned Company

- Requires three or more directors and one or more shareholders.
- Register with the Registrar of Companies by drawing up Memorandum of Incorporation.
- It is owned by the government and operated for profit.
- SOC is listed as a public company.
- The name ends with letters SOC.
- State –owned companies support private businesses by providing infrastructure such as communication service /Post office and supply of electricity/Eskom.

Impact of state-owned companies

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • Profits may be used to finance other state departments. 	<ul style="list-style-type: none"> • May result to poor management as government is not always as efficient as the private sector.
<ul style="list-style-type: none"> • Offer essential services which may not be offered by the private sector. 	<ul style="list-style-type: none"> • Inefficiency due to the size of the business.
<ul style="list-style-type: none"> • Prices are kept reasonable/Create sound competition with the private sector to make services affordable to more citizens. 	<ul style="list-style-type: none"> • Often rely on government subsidies.
<ul style="list-style-type: none"> • Wasteful duplication of services is eliminated. 	<ul style="list-style-type: none"> • A lack of incentive for employees to perform if there is no absence of other motivator such as productivity bonuses.
<ul style="list-style-type: none"> • Planning can be coordinated through central control. 	<ul style="list-style-type: none"> • Government can lose money through the business.
<ul style="list-style-type: none"> • Generates income to finance social programmes. 	<ul style="list-style-type: none"> • A lack of incentive for employees to perform if there is no share in the profit.
<ul style="list-style-type: none"> • Jobs are created for all skills levels. 	<ul style="list-style-type: none"> • Losses must be met by the taxpayers.
	<ul style="list-style-type: none"> • Shares are not freely tradable making it difficult to raise capital.
	<ul style="list-style-type: none"> • SOC must follow strict regulations for operations to raise capital.
	<ul style="list-style-type: none"> • Financial statements must be audited.

Non-profit companies

Definition

A non-profit company/NPO is not formed with the intention to make a profit, but for public benefit.

Characteristics of non-profit companies

- The main aim is to provide service and not to make a profit.
- They are funded by donations and foreign funding.
- The name of the company must end in NPC.
- All profits must be used for the primary objective of the non-profit company.
- It must prepare the Memorandum of Incorporation.
- Qualifying NPCs are granted tax-exempt status.

Impact of non-profit companies

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> • Proceeds/Surplus funds are used solely for the primary objective of the organisation/further goals of the business. 	<ul style="list-style-type: none"> • Need professional assistance to set up this organisation.
<ul style="list-style-type: none"> • They provide social services to various communities. 	<ul style="list-style-type: none"> • Does not generate enough capital to cover their expenses.
<ul style="list-style-type: none"> • Donors receive tax deductions which motivates them to invest in a non-profit company. 	<ul style="list-style-type: none"> • Donations may not always be enough.
<ul style="list-style-type: none"> • The liability of the members is limited which may attract additional membership. 	<ul style="list-style-type: none"> • Assets are not distributed to the members upon closing.
<ul style="list-style-type: none"> • Has continuity of existence which reduces the risk of closure. 	<ul style="list-style-type: none"> • Creating a non-profit company takes time/effort/money.
<ul style="list-style-type: none"> • Most of the income of a non-profit company is free from income taxes. 	<ul style="list-style-type: none"> • Obtaining grants can be a slow and tiring process.
<ul style="list-style-type: none"> • Can receive funding/grants/aid to render their services. 	<ul style="list-style-type: none"> • Incorporators cannot take along the assets accumulated by the NPC if they decide to leave.
	<ul style="list-style-type: none"> • They are not allowed to pay bonuses to members.

Factors that contribute to the success and/or failure of a non- profit company

Factor	Success	AND/OR	Failure
Management	<ul style="list-style-type: none"> • A NPC may be well managed as it requires a minimum of three directors. • More directors may be appointed to bring more skills/ideas/ innovations/expertise to the NPC. • The legally prescribed management structure 		<ul style="list-style-type: none"> • Large management structure can complicate/delay decisions. • Directors may mismanage business funds as they may not have a direct interest in the NPC. • Directors are liable for any loss/ damage/cost sustained by the company.

	ensures a well-organised company	<ul style="list-style-type: none"> • Directors may not have skills to manage resources.
Taxation	<ul style="list-style-type: none"> • May qualify for tax exemption if certain criteria are met • They may receive certain tax benefits/rebates when actively involved in community projects. 	<ul style="list-style-type: none"> • Required to pay income tax if engaged in activities that are unrelated to their business purpose • Must meet certain tax requirements to be exempted, e.g. operations must be exclusively for charitable, scientific or public safety purpose
Capital	<ul style="list-style-type: none"> • Unlimited number of founders may contribute more capital to the company. • More capital may be raised through donations/ sponsorships for operation/expansion. • It is easy to raise funds/capital, as donors enjoy tax benefits. 	<ul style="list-style-type: none"> • Founders may contribute limited capital/may not contribute capital which may not be sufficient for the establishment/operation of the company. • The company depends/relies on donations as their main source of capital which may hamper its operation/expansion. • NPC may struggle to raise enough capital/funds if they fail to convince donors/donations are misused.
Division of profits	<ul style="list-style-type: none"> • The profits of the company are used finance other needs of the company. 	<ul style="list-style-type: none"> • May discourage potential investors from investing in the company as this is a non-profit company.
Legislation	<ul style="list-style-type: none"> • The company and its owners (shareholders) are separate entities, which may encourage more people to join the company • Financial statements are audited this may result to effective use of resources. 	<ul style="list-style-type: none"> • Formation procedures are time consuming/complicated/ expensive, as many legal documents need to be prepared/submitted.

Cooperatives

Definition

A cooperative is a traditional way of a group of interested parties getting together and sharing resources/infrastructures and costs to achieve a better outcome. It is an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles.

Characteristics of cooperatives

- Minimum of five members is required to start a cooperative.
- Members contribute capital in the form of entrance fee.
- Register with the Registrar of Companies
- Legal entity and can own land and open bank accounts.
- Members own and run the business together and share equally in its profits.
- Decisions are taken democratically
- They are motivated by service rather than profit
- Must register with the Registrar of Cooperatives Societies
- The word 'Cooperative Limited' must appear at the end of its name.
- They are managed by a minimum of three directors.
- The objective of a co-operative is to create mutual benefit for the members.
- Co-operatives pay taxes on income retained for investment and reserves.
Surplus revenues are returned, according to patronage, to individual members who pay taxes on that income.

Impact of cooperatives

ADVANTAGES	DISADVANTAGES
• Access to resources and funding	• Decisions are often difficult to reach and time consuming.
• Decision making is by a group	• Difficult to grow a co-operative.
• Each member has an equal share in the business.	• Very few promotion positions for staff.
• A co-operative can appoint its own management.	• It can be difficult to get a loan because their main objective is not always to make a profit.
• Members have limited liability	• The success of cooperatives depends on the support of the members.
• The decisions are democratic and fair.	• Shares are not freely transferable.
• Members are motivated because they are working for themselves.	• All members have one vote regardless of the number of shares held.
• Can gain extra capital by asking its members to buy shares.	
• Co-operatives have continuity of existence	

<ul style="list-style-type: none">• Resources of many people are pooled together to achieve common objectives	
<ul style="list-style-type: none">• Profits are shared equally amongst members.	